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## Chic and cheerful: why Paris is now a classic buyers' market

Nick Foster

Prices are falling in the French capital, including in areas prized by overseas investors



Rooftop terrace of an apartment in the 16th arrondissement, €4.6m

The combination of a stagnating housing market and lacklustre performance of the wider French economy has created opportunities for international buyers in Paris, particularly for anyone holding sterling or dollars. According to data from property portal MeilleursAgents.com, the price of an average home fell 2.8 per cent in 2014. In 2015, it forecasts drops of up to 3 per cent. Meanwhile, sterling is trading at a seven-year high against the euro, and the dollar is at a 12-year high.

Bargain-hunters can still enjoy the traditional pleasures of the City of Light. Paris has 97 Michelin-starred restaurants and hundreds of museums and art galleries. And although the French capital is perceived as a place where changes happen slowly, within the past couple of years the authorities have transformed 2.4km of quayside roads along the river Seine into broad pedestrian walkways as part of a wider effort to reduce vehicle traffic and fumes in the city centre.

Paris has become a classic buyers' market. Homes in the city are now an average 9 per cent less expensive than they were in 2011, according to

MeilleursAgents.com. And some of the biggest drops are in areas most prized by overseas buyers. Around the Palais Garnier opera house, for example, and the busy shopping streets of the Grands Boulevards on the Right Bank prices are down by an average 12.7 per cent. Many upmarket sections of the Left Bank are 11 to 13 per cent cheaper than 2011, and values for homes in the bourgeois 16th arrondissement — home to the new Fondation Louis Vuitton gallery, designed by Frank Gehry — are down 14 per cent.

“The exodus of French families to London in particular, some of whom have left for tax reasons, is continuing to free up some very attractive houses and large apartments. There is no better example of this trend than the 16th arrondissement,” says Martine Kuperfis, director of estate agents Junot Investissements, although France’s controversial 75 per cent “supertax” on earnings of more than €1m expired in January this year.

Kuperfis describes a three-bedroom unit in a traditional apartment block in the 16th arrondissement on sale with her agency for €2.58m as “very keenly priced”. The third-floor property has a parquet floor, original mouldings and a direct view of the Seine, but requires some light renovation.

Although prices in Paris have dropped citywide, Kuperfis says that some “exceptional” properties have retained their value. Such a home might be the Parc Monceau Art House in the 17th arrondissement. On the market for €3.5m through Vingt Paris, this three-bedroom apartment comes with a contemporary art collection worth €1m, featuring works by Julian Opie and Catherine Yass, among others.



Even pricier is a fifth-floor, 115 sq metre, two-bedroom apartment in the 16th arrondissement. The unit has two parking places — a rarity in Paris — and a rooftop terrace with clear views of the Eiffel Tower. It is on sale through Paris Property Group for €4.6m, which, at €40,000 per sq metre, is almost five times the average in Paris, according to France’s association of notaries.

On the other hand, the biggest price cuts are found when homes have significant drawbacks, such as a lack of natural light or traffic noise. Kuperfis particularly warns against buying a large apartment with the purpose of making a root-and-branch renovation in a less attractive location: “There is a risk you will lose money because when the time comes to sell, your property will be overpriced compared to other units in the same neighbourhood.” This is a more acute concern in densely populated Paris than in some other capital cities, as the ambience of certain districts — the part of town where chic Montmartre merges with down-at-heel Pigalle, for instance — changes profoundly within as little as 100 metres.

With a budget of €1m, Mark Harvey, of Knight Frank, recommends looking for an upper-floor apartment on the Île Saint-Louis, an island in the Seine with pretty

streets. “The Île Saint-Louis is well known internationally, has historical and architectural pedigree, and is much sought after by overseas and domestic buyers alike. With entry prices starting at about €10,000 per sq metre, one would anticipate capital growth in the mid to long term,” he says.

A three-bedroom, 150 sq metre triplex apartment in the centre of the Île Saint-Louis is on sale for €1.95m through Daniel Féau. The property is in a building dating from the 17th century.

According to Kerstin Bachmann, managing director of the Paris Property Group, some sellers continue to resist the idea that prices are dropping. “Depending on the quality of the property and how high it is above market value, a buyer can expect to negotiate [a discount of] 10 per cent; in some cases, where the property was significantly overpriced to begin with, discounts can reach 20 per cent of the asking price,” she says. MeilleursAgents.com found that a remarkable 18.5 per cent of properties sold in Paris in 2014 were bargained down by at least 10 per cent.



Parc Monceau Art House, €3.5m, which includes artwork by Julian Opie and others

Although property prices in Paris are depressed, buyers should think carefully before investing in a second home with a view to recouping some of their investment through short-term lets. Second-home owners in the city need to apply to turn their flats into commercial properties if they wish to rent them out as holiday lets, or risk a fine.

Overseas buyers who do not make their French property their main home have to pay capital gains tax of up to 19 per cent on the gain when they sell. But they no longer have to pay the additional, so-called “social charges” of up to 15.5 per cent on the gain, following a ruling by the European Court of Justice last month.

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### **Buying guide**

- Buyers should budget about 8 per cent of the purchase price to cover land registry taxes, notary’s fees and other expenses
- Estate agents typically charge 5 to 6 per cent of the sale price as commission
- It takes an average of 58 days to sell a property in Paris, compared with 87 days in Lyon and 129 days in Marseille

**What you can buy for . . .**

**€500,000** A 39 sq metre, one-bedroom flat in the 8th arrondissement

**€1m** A three-bedroom apartment in the 9th with 105 sq metres of living space

**€5m** A 348 sq metre apartment with six bedrooms close to Monceau park

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